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SOURCE Newspapers as indicated.

GOVERNMENT CLAIMS STABILIZATION
OF COMMODITY PRICES THROUGHOUT CHINA.

ECONOMY REACHES TURNING POINT -- Canton Nan-fang Jih-pao 18 Apr 50

Peiping, 16 April (Hsin-hua) -- An editorial in the Peiping Kuang-ming Jih-pao entitled "The Turning Point in the Chinese Economy" states that although the task of pacifying the country has not been fully completed, the government has succeeded in reversing the inflationary trend of the last 12 years.

The present stabilization of prices in the country is on a long-term basis because the government is no longer under the necessity of issuing more currency to balance the budget. The present stabilization of prices is good for both the people and for business, and it marks an epoch in Chinese economic history. We must thank Chairman Mao for his wise leadership and the finance and economic authorities of the country for their boldness, in unifying the financial system.

As for the food situation, Chairman Ch'en Yun's report disposes of all the claims of the foreign imperialists and the KMT reactionaries that a famine was coming in China. The government has prepared 4 million metric tons of grain which is more than a third of the amount required to feed the urban population of the country. In the small cities and towns and rural areas there is sufficient grain. All the government has to do is to guarantee enough grain for the big city centers. The government has allotted 766,000 tons of grain for relief which, together with the production for self-relief plans, will amply care for the needs of the 7 million people affected by shortages this spring.

COMMODITY PRICES STABILIZED THROUGHOUT CHINA -- Peiping Jen-min Jih-pao,
14 Apr 50

Peiping, 13 April (Hsin-hua) -- Commodity prices throughout China are either on the decline or remaining stable. With the exception of Canton,

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where a slight gain was reported, commodity prices in the major cities of China declined on the average of about 12 percent during the past 3 months; the greatest decrease was at Sian where the drop reached 33 percent. The drop at Shanghai, Tientsin, Peiping, and Hankow averaged between 9 and 12.9 percent.

Restoration of the people's confidence in the currency contributed greatly in bringing about this favorable trend. In the past, the people generally converted their currency into goods to create an unfavorable market situation in which the demand outweighed supply. The stabilization of the currency through balancing of the government budget, however, made it necessary for the people to follow the above practice of converting currency into goods. This not only helped to stabilize the commodity prices but also led to the dumping of hoarded goods on the market by speculators, and this, in turn, helped to lower commodity prices.

The decline of commodity prices is not a temporary phenomenon, such as that of last year, but appears to be a definite trend toward economic stability. This can be verified by the fact that the velocity of currency circulation realized a sharp drop during the past few months. In January, the Tientsin Stock Exchange estimated that the turnover of money was about 52 times per month. Between 1 - 20 March its velocity dropped to a rate of about 8 times per month. A cursory survey of the present favorable market situations, as outlined below, assures us that we may look forward to economic prosperity in the future.

1. Prices of commodities sold by private firms are generally lower than those of government corporations. This results from the fact that speculators are now dumping their hoarded goods on the markets. On 24 March, at Shanghai, 20 parcels of yarn were being offered by the government monopoly corporations for 6,150,000 yuan, whereas the same quantity was being sold in the open market for 900,000 yuan. On the same day, the price for a picul of rice in the Tientsin open market was about 100 yuan, as compared to the government quotation of 2,150 yuan. On 7 March, at Peiping, a bolt of wool was priced at 28,500 yuan by the government corporations, but the open-market quotation was about 16,000 yuan.

2. Wholesale trade dropped tremendously during this period but the retail trade in daily necessities remained as active as before. This resulted from the fact that hoarding practices became unprofitable and concealed goods began appearing in the markets. The purchasing power of the people, however, remained constant.

Shanghai has always been the greatest cotton-yarn market in China. After the bombing of the city on 6 February, however, the demand for cotton yarn declined and the speculators began dumping their hoarded cotton yarn to flood the market. This created a critical situation. The government-operated Shanghai Cotton Yarn Corporation reported on 3 March that it only carried out two cotton-yarn transactions on that date. Since then, however, the market has improved and the cotton yarn transactions are gaining

The foodstuff situation in Shanghai was similar to that of cotton yarn. The wholesale trade of foodstuffs in February totaled some 417,000 tons, but during March it declined to about 80,000 tons. During the same period, however, daily retail sales of foodstuffs to the consumers increased from several thousand tan /one tan equals 100 catties/ in February to more than 10,000 tan by the end of March.

3. Despite the fact that demand for silver bullion remains critical, the interest rate on bank deposits was greatly lowered. For example, in February, private banks in Peiping paid between 66 and 69 percent interest rate on deposits, but by 29 March, this was reduced to 18 percent. In the past, the speculators were willing to pay a high interest rate on loans to purchase

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goods for hoarding. However, during the past month, they have discovered that since the markets are closed to hoarded goods, they risk bankruptcy by paying such high interest rate.

CALLS SHANGHAI MARKETS STABLE -- Wu-hsi Su-nan Jih-pao, 12 Apr 50

Shanghai, 10 April -- The national financial and economic centralization plan has met with initial success in Shanghai. Since its inception in March, Shanghai commodity prices have shown their first signs of stability. In this past month, there has been no great fluctuation.

The price of rice held steady at 270,000 yuan throughout March. Plain-weave dragons-head cotton cloth sold at 314,000 yuan per bolt on 1 March; by the end of the month, it had dropped to 273,000 yuan. Twenty-gauge Blue Phoenix yarn was selling at 6,550,000 yuan per bale in the beginning of March; at the end of the month, it was priced at only 4,900,000 yuan. Prices on tobacco, coal, wheat flour, raw cotton, and many other commodities also showed stability. This is mainly because the government supplied adequate amounts of provisions, coal, raw cotton, and other primary materials and facilitated clearance payments.

At the same time, tax revenue was adjusted and tax waste was rectified so that Shanghai City had collected 600 billion yuan in taxes by the end of March. At the close of March, Shanghai Municipal Public Bond subscriptions totaled 610,900,000,000 yuan. Bank deposits are also proceeding on schedule. Deposits in the national banks and the joint publicly and privately operated banks total 1.1 billion yuan. The amount deposited in private banks brings the grand total to 1,380,000,000 yuan.

REPORTS PEIPING MARKETS STABLE -- Wu-hsi Su-nan Jih-pao, 12 Apr 50

Peiping, 10 April -- Since the decision to centralize the nation's financial and economic functions was put into practice, commodity prices in Peiping have reached an initial stage of stability, and confidence in the people's currency is growing.

For a long time, the Peiping market suffered from lack of commodities and excessive demand for merchandise. After the great transformation had begun in March, the merchandise market in general showed either greater supply than demand or a tendency toward a balance of supply and demand. During the last 10 days of March, more than 700,000 piculs of provisions came on the Provisions Exchange market and transactions were concluded for 100,000 piculs, which is only a little over 14 percent of the provisions on the market. In the same period, over 280,000 piculs of wheat flour were placed on the market, and more than 20,000 piculs, or slightly above 7 percent, entered transactions. At the same time, exports of provisions have increased and imports have decreased. In the first 10 days of March, Peiping exported more than 33,000 piculs of provisions; in the last 10-day period of March, the provisions exports rose above 39,000 piculs. In the first 10 days, over 390,000 piculs of provisions were imported and in the last 10-day period the provisions imports dropped to some 310,000 piculs.

Following the first signs of stability in commodity prices, confidence in the people's currency rose. In the past, Peiping residents had been enthusiastic about depositing commodity parity unit savings in the Peiping People's Bank Savings Department. But, because of the stability in commodity prices, the total number of depositors in March dropped to 1,582 less than the February total. Currency deposits increased. In March, 32 customers voluntarily applied to open current accounts, depositing currency; and 15 applied to open 3-month time accounts.

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HANGCHOW INTEREST RATES FALL -- Hangchow Chekiang Jih-pao, 12 Apr 50

During the first 3 months of 1950, interest rates declined in Hangchow, as follows (in yuan per 1,000 yuan):

| | <u>1 March</u> | <u>1 April</u> | <u>11 April</u> |
|---------------------------------|----------------|--|--|
| Per diem on 7-day time deposits | 9.0 | 4.0 | 2.5 |
| Per diem, loans discount | 15.0 | 8.0 | 5.0 |
| Per diem, on deposits | 4.0 | 1.5 | 1.0 |
| Per diem, bankers' discounts | 11.0 | 4.5 | 2.7 |
| | | <u>Ratio to</u> <u>1 March:</u> from .50 to .66 | <u>Ratio to</u> <u>1 March:</u> from .25 to .33 |

The primary reason for the drop in interest rates is the stabilization of commodity prices, which in turn has made hoarding impracticable, reduced interest burdens, raised the people's confidence in currency rather than goods, and increased the supply of ready cash in the city. With the stabilization of currency circulation, interest rates and the money market have returned to normal.

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